



Puerto Rico

## BREAKING: PROMESA Oversight Board Discloses 'Global Settlement' With Holders of \$8B in GO, PBA Bonds

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*Editor's Note: A prior version of this story incorrectly stated that the amended plan support agreement contemplates an \$11 billion reduction in Puerto Rico's debt and other liabilities. The story has been updated to reflect that the deal reflects a debt reduction of approximately \$24 billion, from about \$35 billion to about \$11 billion.*

In a filing posted to [EMMA](#), the PROMESA oversight board has just disclosed that it has reached a "global settlement" and entry into an amended plan support agreement with holders of approximately \$8 billion in general obligation, or GO, and Public Buildings Authority, or PBA, bonds. The settlement builds upon the proposed September 2019 [plan of adjustment](#), which had the support of holders of approximately \$3 billion in GO and PBA bonds, and contemplates the filing of an amended plan of adjustment that would consensually restructure approximately \$35 billion of outstanding liabilities.

**The oversight board states in the filing that it intends to file an amended plan of adjustment on or before Feb. 28.** The amended deal calls for an average 30% haircut for bondholders, a \$24 billion reduction in Puerto Rico's debt and other liabilities from \$35 billion to \$11 billion and protecting existing pension agreements with government employees, according to the filing. The filing also states that the PSA provides a framework for a plan of adjustment with \$10.7 billion of new debt and \$3.8 billion of cash as consideration. The security structure of the new debt would be divided evenly between GO bonds and COFINA junior bonds. That 50-50 split differs from the previous PSA, which contemplated 100% GO bonds.

Additionally, the filing states that through the mediation process, the oversight board says that it has **reached a settlement on both the validity of the post-2011 GO bonds and on the priority of the GO bonds.** Under the settlement of the GO bond priority litigation, the oversight board indicates that it has realized \$6.8 billion in total upfront savings and \$11 billion of total debt service savings. With respect to the GO bond validity litigation, the oversight board cites \$435 million in total upfront savings and \$704 million of total debt service savings. According to the filing, the oversight board asserts that the settlement will protect the funding of the pension trust and the ongoing payments to retirees.

The settlement does not include other bond litigation, including ERS bonds, bond subject to clawback or claims against underwriters or other avoidance actions, the filing says.

More to come....

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